

Message Text

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ACTION EB-03

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C O N F I D E N T I A L TOKYO 2370

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E.O. 11652 GDS

TAGS: ENRG, JA

SUBJ: IEA - MITI PROPOSAL ON GOVERNING BOARD DECISION

SUMMARY: TOYONGA HAS GIVEN EMBASSY TEXT OF MITI PROPOSAL FOR GOVERNING BOARD (GB) DECISION ON USG'S IEA PROPOSALS, WHICH IT BELEIVES WOULD SATISFY USG AND GOJ REQUIREMENTS AND ENABLE GOJ TO TAKE MORE FORTHCOMING POSITION THAN IF MORE SPECIFIC DECISION IS PRESENTED OF PROPOSED TEXT REQUESTS ENDERS' COMMENTS. END SUMMARY

1. TOYONAGA, DIRECTOR, INTERNATIONAL RESOURCES DIVISION, AGENCY OF NATURAL RESOURCES AND ENERGY, MITI GAVE EMBASSY FEB. 24 PROPOSED TEXT OF GB DECISION COVERING PROPOSALS MADE BY USG AT LAST MEETING. PROPOSED DECISION, WHILE NOT YET FORMALLR APPROVED WITHIN MITI, WILL IN ALL PROBABILITY BECOME MITI POSITION WITHIN NEXT FEW DAYS, AND TOYONAGA REASONABLY CONFIDENT MITI WILL BE ABLE OBTAIN CONCURRENCE OF OTHER GOJ MINISTERIES. HE MENTIONED THAT ENERGY AGENCY DIRECTOR GENERAL MASUDA HAD ASKED HIM TO PASS TEXT TO ENDERS NOW IN ORDER TO LEAVE TIME TO RECEIVE AND CONSIDER COMMENTS FROM ENDERS BEFORE GOJ POSITION FOR MARCH 6-7 GB MEETING IS FINALIZED. SPECIFICALLY, TOYONAGA ASKED THAT ANY COMMENTS BE RECEIVED BY END OF THIS WEEK BE-
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CAUSE HE WILL DEPART FOR PARIS MARCH 3.

2. IN PROVIDING TEXT, TOYONAGA MADE FOLLOWING ORAL INTRODUCTORY COMMENTS. ALSO WITH CONCURRENCE OF MASUDA.

(A) MITI SEEKS COMPROMISE ALONG LINES OF ITS PROPOSED TEXT.

(B) MITI SEES SIGNIFICANCE OF DISCUSSING MEASURES TO COPE WITH DOWN SIDE RISK. IT APPRECIATES USG EFFORT TO REDUCE DEPENDENCE ON OIL IMPORTS. IT SYMPATHIZES WITH POLITICAL DIFFICULTIES ENCOUNTERED ON THIS ISSUE IN THE U.S.

(C) POLITICAL DIFFICULTIES ALSO EXIST IN JAPAN, THUS MITI HESITATES TO SUPPORT USG PROPOSAL UNDER PRESENT CIRCUMSTANCES. COMMON FLOOR PRICE IS LIKELY TO BE CONSIDERED AMONG JAPANESE AS BEING ADVANTAGEOUS ONLY TO ENERGY- RICH COUNTRIES SUCH AS U.S. JAPAN WILL HAVE TO DEPEND ON IMPORTS FROM OPEC COUNTRIES HENCE FLOOR PRICE IS APT

TO BE REGARDED AS CONFRONTATIONAL. IN ORDER TO AVOID POLITICAL CRITICISM (CHARGES OF ADOPTING PRO-AMERICAN ENERGY POLICY ETC.), MITI MUST SHOW THAT MEASURES ARE SO CONSTRUCTED AS TO BRING SUBSTANTIAL BENEFIT TO ENERGY-POOR COUNTRIES SUCH AS JAPAN AND NOT CREATE SUBSTANTIAL BURDEN ON THEM. THUS, MINIMUM REQUIREMENT FOR COORDINATED MEASURES ACCEPTABLE TO JAPAN IS THAT THEY SHOULD:

(I) PROVIDE PARTICIPATION COUNTRIES WITH FREE ACCESS TO INVESTMENT AND PRODUCTS DEVELOPED UNDER COORDINATED MEASURES (TOYONAGA SAID THIS INCLUDED NORTH SEA, CONTINENTAL SHELF PLUS NEW SOURCES SUCH AS TAR SANDS);

(II) TAKE SUCH FORM AS TO BE ACCEPTABLE TO PRODUCERS;

(III) LEAVE PARTICIPATING COUNTRIES WIDE RANGE OF OPTIONAL ALTERNATIVES.

(D) IN VIEW FORTHCOMING PRODUCER/CONSUMER MEETINGS, WE NEED FIND COMMON GROUND SOONEST, THUS WE SHOULD SEEK GENERAL TYPE AGREEMENT RATHER THAN AGREEMENT IN DETAIL (HE CONCEDED THIS WAS NOT TYPICAL JAPANESE WAY OF PROCEEDING).

(E) PROPOSED TEXT OF GB DECISION INTENDED TO SATISFY OUR MUTUAL NEEDS AND ENABLE MITI TO PERSUADE OTHER MINISTRIES TO ACCEPT MITI'S POSITION.

(F) WOULD APPRECIATE ENDERS' QUOTE FRANK AND CONSTRUCTIVE COMMENT UNQUOTE SOONEST. TEXT SHOULD BE CLOSELY HELD AND KNOWLEDGE OF IT NOT DIVULGED TO OTHER GOJ MINISTRIES.

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3. TEXT FOLLOWS. PARENTHETICAL COMMENTS ARE EXPLANATORY REMARKS BY TOYONAGA. BEGIN TEXT.

THE GOVERNING BOARD,

I) RECOGNIZING THAT STABILIZATION OF THE GLOBAL OIL DEMAND SUPPLY BALANCE IS PREREQUISITE TO THE SECURITY OF PARTICIPATING COUNTRIES AND TO THE RESTORATION OF THE REASONABLE PRICE LEVEL OF ENERGY, (COMMENT: VERY IMPORTANT TO MITI THAT GB DECISION NOT HINDER JAPANESE EFFORTS TO INCREASE IMPORTS OF

OIL FROM NON-OPEC SOURCES)

(II) TAKING INTO ACCOUNT THE OVERALL I.E.P. OBJECTIVE OF REDUCING
DEPENDENCY ON IMPORTED OIL THROUGH ENERGY CONSERVATION AND
ACCELERATED DEVELOPMENT OF ALTERNATIVE ENERGY RESOURCES,

(III) KEEPING IN MIND THE SOCIAL AND ECONOMIC AIMS OF THE
PARTICIPATING COUNTRIES, (COMMENT: INSERTED TO SATISFY ITALY)

(IV) REAFFIRMING THE NECESSITY TO PROMOTE THE
CONSTRUCTIVE DIALOGUES BETWEEN OIL CONSUMING COUNTRIES AND
PRODUCING COUNTRIES, (COMMENT: POLITICALLY IMPORTANT FOR JAPAN)

(V) HAVING REGARD TO THE EQUITABLE SHARING OF BENEFITS AND
BURDENS BETWEEN COUNTRIES WITH SUBSTANTIAL ENERGY RESOURCES
POSSIBILITIES AND THOSE MORE LIMITED ENERGY

OPPORTUNITIES, (COMMENT: LANGAUGE ALREADY AGREED UPON IN GB,
IMPORTANT TO JAPAN)

DECIDES THAT:

1. PARTICIPATING COUNTRIES SHALL TAKE COORDINATED MEASURES
TO ACCELERATE THE DEVELOPMENT OF ALTERNATIVE ENERGY RESOURCES

2. THE COORDINATED MEASURES SHALL PROVIDE INVESTMENT INCENTIVES
TO ACCELERATE DEVELOPMENT OF ALTERNATIVE ENERGY RESOURCES THROUGH
SOME ASSURANCE AGAINST POSSIBLE DOWNSIDE RISK OF IMPORTED OIL
PRICES OR THROUGH OTHER MEANS TO ELIMINATE BARRIERS IN THE
DEVELOPMENT OF NEW ENERGY RESOURCES. (COMMENT: THIS MEANS THAT
JAPAN CAN PARTICIPATE IN MEASURES PROPOSED BY USG, BUT IT CANNOT
GO ALONG WITH SPECIFIC WORDING QTE FLOOR PRICE UNQTE OR QTE
CONSORTIUM UNQTE FOR TIME BEING HENCE USE OF QTE COORDINATED
MEASURES UNQTE)

3. THE COORDINATED MEASURES SHALL BE BASED ON THE FOLLOWING
PRINCIPLES:

(I) THE COORDINATED MEASURES SHALL CONFORM TO THE PRINCIPLE
OF FREE TRADE TO THE FULLEST EXTENT POSSIBLE AND SHALL COMPLY
WITH THE ECONOMIC EFFICIENCY OF DEVELOPMENT, (COMMENT: WORDING
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TO SATISFY FRG)

(II) FREE ACCESS TO INVESTMENT AND PRODUCTS IN ALTERNATIVE
RESOURCES DEVELOPMENT SHALL BE GUARANTEED TO EACH PARTICIPATING
COUNTRY,

(III) THE COORDINATED MEASURES SHALL COVER THE ENERGY DEV-
ELOPMENT OUTSIDE THE I.E.A. AREA (COMMENT: THIS WOULD ENABLE JAPAN
TO COUNT INVESTMENT OUTSIDE I.E. A. AREA, E.G. BURMA
AND AUSTRALIA, AS PART OF QTE COORDINATED MEASURES UNQTE.)

(IV) COORDINATED MEASURES SHALL BE COMPATIBLE WITH RESPECTIVE
NATIONAL POLICIES OF THE PARTICIPATING
COUNTRIES, (COMMENT: THIS WOULD PROTECT GOJ AGAINST DIET
CRITICISM THAT ENERGY POLICIES BEING CHANGED WITHOUT DIET APPROVAL)

(V) EACH PARTICIPATING COUNTRY SHALL BE FREE TO CHOOSE ANY MEANS
TO IMPLEMENT THE COORDINATED MEASURES, (COMMENT: THIS WOULD

AVOID PLACING THE GOJ IN POSITION WHERE
IT MUST SUBMIT MEASURES TO THE DIET)
(IV) THE COORDINATED MEASURES SHALL BE IN EFFECT PROVIDING
THAT THE MAJOR INDUSTRIALIZED CONSUMING
COUNTRIES OUTSIDE THE I.E.A. JOIN THE COORDINATED MEASURES.
(COMMENT: I.E. FRANCE AND AUSTRALIA)

4. THE STANDING GROUP ON LONG TERM COOPERATION IS DIRECTED TO
MAKE FURTHER FACT FINDING STUDIESTO EXAMINE PROS AN CONS OF
ALTERNATIVE COORDINATED MEASURES, AND TO PROPOSE BY THE END OF
SEPTEMBER, FOR CONSIDERATION AND ADOPTION BY THE GOVERNING
BOARD, THE MEASURES TO BE TAKEN BY THE I.E.A. (COMMENT: MITI IS
FLEXIBLE ABOUT THE DATE). END TEXT
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